A STUDY OF PERFORMANCE EVALUATION OF FINANCIAL POLICIES OF BANKS RELATING TO SELF EMPLOYED PERSONS : WITH SPECIAL REFRENCE TO PALGHAR DISTRICT

A

RESEARCH PROPOSAL

SUBMITTED TO THE

SWAMI RAMANAND TEERTH MARATHWADA UNIVERSITY,

NANDED.

FOR AWARD OF THE

DEGREE OF DOCTOR OF PHILOSHOPY IN

COMMERCE

UNDER THE FACULTY OF COMMERCE

BY

VEENA G.SIHANA

UNDER THE GUIDANCE OF

DR. V.K.BHOSLE

M.COM, PHD,

PRINCIPAL, JAMKAR COLLEGE, PARABHANI

MARCH 2016

CONTENTS

1. INTRODUCTION
2. IMPORTANCE OF STUDY
3. AREA OF STUDY
4. PERIOD OF STUDY
5. OBJECTIVES OF STUDY
6. APPROACH AND METHODOLOGY
7. HYPOTHESIS OF STUDY
8. LIMITATIONS
9. PROPOSED CHAPTER LAYOUT

A STUDY OF PERFORMANCE EVALUATION OF FINANCIAL POLICIES OF BANKS RELATING TO SELF EMPLOYED PERSONS : WITH SPECIAL REFRENCE TO PALGHAR DISTRICT

1. Introduction

The banking system is an important pillar to a nation's economy. Banks play a crucial role in nation building as they not only accept and deploy large amounts of public funds but also use such funds through credit creation. In India, prior to nationalization, banking system was restricted mainly to the urban areas and neglected the rural and semi-urban areas. Large industries and big houses enjoyed major portion of credit facilities and others did not receive the deserved attention.Therefore 14 major banks were nationalized in 1969 and 6 more in 1980. Since then the banking system in India has played a pivotal role in the Indian economy,acting as an instrument of social and economic change. In post liberalization era, RBI has initiated several measures to ensure safety and soundness of the Indian banking system and at the same time to encourage banks to play an effective role in accelerating the growth process. It has been recognized that Indian banking system should be in tune with well laid down international standards and prudential norms. Although banks in India have contributed significantly in the economy certain weaknesses, such as decline in productivity and efficiency and erosion in profitability had developed in the system.

Before the introduction of social control over banks, commercial banks paid hardly paid any attention towards small borrowers. However, after nationalization, financing of self employed persons gathered considerable momentum. A number of special credit schemes have been evolved. Now the banks will have to give up the traditional attitude of looking into the credit worthiness and security as primary consideration for the loan.The credit to this sector arepurely non-conventional in nature.

The persons who are holding a professional degree or diploma are named as 'Professional', Persons making out their livelihood without getting employed under an employer is known as 'Self Employed'. Any individual or a firm in which every partner is trained in any art or craft and holds either a degree or diploma or is considered technically qualified or skilled in his line or is rendering service are called 'Professional and Self Employed persons'.

Self employment helps in job creation where there is scarcity of jobs and makes people self reliant. It plays a key role in economic growth and development.

Through various policy measures by R.B.I, Government of India and various states are implementing programs for alleviating poverty, providing gainful employment to various sections of the people viz. men, women, youth by making available the required investment from the banking system. The various lending schemes of banks provide finance to self employed persons to uplift them and facilitate expansion of activities in their field.The objective of such schemes is to encourage unemployed youth, including women to undertake self employment ventures in industry, service and business thorough the provision of a package assistance. Assistance is provided to any industry, service, business or any venture which is economically viable.

The banks for self employment, provide credit to people, which have an effect on their NPA's and recovery performance, which might reduce their profitability. Therefore it is found that there is poor quality lending's to self employed persons especially women.

Importance of the study

India is the second largest populated country in the world and having a large share of working population. Seeking employment and living is a major concern for the people in India as employment opportunities do not increase at the same rate as that of increase in population. Financially the weaker sections of the society are unable to meet their credit requirements from their own sources. Therefore there is need for providing timely and adequate institutional credit to such people through banks and financial agencies for making funds available to them for investment. This will not only provide self employment opportunities for them but also bring about an overall development of such people. Bank

lending to self employed persons, helps in job creation, self reliance, economic growth of the people of the nation.

Banks have to make an empirical evaluation of their various schemes and how such schemes can be aimed at generation of additional employment and income and thus help in alleviating poverty, improve standard of living of the people so that the various lacunae could be made more meaningful and best strengthened in the light of experience in globalization regime.

Commercial banks lending to self employed and professional persons must be considered as a primary social obligation of the banks in India. That is the reason for inclusion of this sector under the 'Priority Sector'. Banks are required to extend their loan facilities to all the deserving professional persons and thoseseeking bank finance for the purpose of self employment.

A study on the individual performance of the selected banks show that commercial banks have varying degrees of involvement in granting loans to the professional and self employed persons. Such loans also have an effect on the banks recovery performance, NPA's, profitability and there exists low and poor quality lending for this purpose.

The present study helps to understand the importance of self employed persons credit, especially to women and why there exists ample difference in deployment of bank credit for self employed persons between different regions.

AREA OF THE STUDY

The study is based on Vasai –Virar Thesil that consists of areas and villages of Maharashtra State, western India comprising the most populated part of Palghar district. It is an extended suburb of Mumbai and is located 50 kms north of Mumbai on the north bank of Vasai creek . According to 2011 census vasai-virar area is the fifth largest city in Maharashtra with a population of more than 1.3 million spread over 383 sq.kms of massive land including forest cover and hilly terrain. It is governed by the Vasai-Virar City Muncipal Corporation (VVMC), a civic body formed on 3rd July 2009.

Period of the study

The observations made from the data from past five years to arrive at the conclusions.

OBJECTIVES OF THE STUDY

1. To find out the amount of credit given to self employed persons by banks.
2. To study the level of women's access to credit for self employment.
3. To study the recovery performance of such credit by banks over the years.
4. To analyze the effect of such credit on banks NPA's and profitability.
5. To find out the effect of such credit on economic upliftment of self employed persons and economic growth of the region.
6. To study the reasons for low and poor quality lendings in the area under study.

RESEARCH DESIGN AND METHODOLOGY

Universe of the study

For the present study, the universe of the study is some selected commercial banks of vasai virar region.

Sampling Frame

A good number of samples are selected from the population. In selecting samples, accepted statistical sampling methods will be adopted.

Sampling Procedure

A random sampling technique is used.

Units of Observation and Sampling Size

The units of observation are the commercial bank branches. Total size of the sample would be 50 bank branches.

Tools and Techniques of data collection

Data are collected through questionnaire, personal interaction with the relevant respondents and from various secondary sources.

Data Collection

The present study demands for both quantitative and qualitative analyses and it needs primary as well as secondary data. Primary data are collected from selected and representative bank branches and through pre coded questionnaire and schedule, discussion with bank officials and the customers in general. Secondary data are collected from the annual reports of several banks, RBI bulletin, various reports on Indian banks, publications of Indian Bank Association, Indian Institute of Bankers, National institute of Bank management, various journals on related fields, etc. with the advancement of information technology, it was to gather wide range of information through Internet. A number of web sites are looked into for the study.

The present study is diagnostic and exploratory in nature and makes use of both primary and secondary data.

An attempt is made to examine performance evaluation of self employed persons credit in vasai virar region and examine the credit structure of the region.

Due to time and cost constraint the research would be confined to vasai virar region for collection of primary data.

HYPOSTHESIS OF THE STUDY

The following hypothesis has been framed to meet the objectives of the study.

H_0 : There exists no difference between deployment of bank credit to self employed persons in vasai-virar region as compared to others areas.

H1 : There exists an ample difference between deployment of banks credit to self employed persons in vasai virar region as compared to other areas.

H_0 : There are no significant problems of recovery by banks of such credit over the years.

H2 : There exists significant problems of recovery by banks of such credit over the years.

H_0 : There is no significant difference in credit given to women self employed persons as compared to men.

H3 : There exists significant difference in credit given to women self employed persons as compared to men.

H_0 : There exists no difference in quality of lending in the area under study.

H4 : There exists poor quality of lending in the area under study.

H_0 : There is no significant effect on the level of banks NPA's and profitability .

H5 : There is a significant effect on the level of banks NPA's and profitability.

LIMITATIONS OF STUDY

The present study is constrained by time, costs and physical limitations of the researcher. The Universe for the present study is restricted to vasai-virar region. Study is confined to self employed persons credit made by banks for a period covering past five years data.

PROPOSED CHAPTER LAYOUT

1. Introduction.
2. Review of literature.
3. Research Methodology.
4. Analysis and Interpretation of data.
5. Findings, suggestions and conclusion.
6. Reference.

Annexure

1. Questionnaire.

BIBLIOGRAPHY

. Vashist Avtar Krishan,(1991): Public Sectors Banks in India, H.K.Publishers and Distributers, Newdelhi,p3.

. Angadi.V.B.(1983):Banks Advances to Priority Sectors:An Inquiry into the causes of concentration. Economic and political weekly, vol.xvii,no.13, March 26,pp503-10.

. Jha,Probodh Kumar,(1985)'Banking and Economic Growth.in N.K.Subrahmanya (ed) Morden Banking of India,Deep Publications, New Delhi,p.54.

. Sooden Meenakshi (1992) Regional Disparities of Commercial Banking in India, Kanishka Publishing House,Delhi,p17.

. Dhawan C.L.(1975): Role of Banks a vehicle of Economic Progress and Instruments of Social Change., The Banker, December,p-25.

. Sundharam, K.P.M, and Varshney, P.N., Banking Theory, Lawand Prache, fifth edition, Sulthan Chand and Sons, New Delhi, p.417,(1982).

. Banking Sector Reforms in India and Performance Evaluation of Commercial Banks , Debaprosanna Nandy, Universal Publication.

. Aggarwal B.P.(1981):Commercial Banking in India, Classical Publishing Company, New Delhi,p.1.

VEENA G. SIHANA

RESEARCH STUDENT

V.K.BHOSLE

RESEARCH GUIDE